

## Monthly Press Release

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### FEDERAL HOUSING FINANCE BOARD REPORTS MORTGAGE INTEREST RATES

The Federal Housing Finance Board today reported that the average interest rate on conventional 30-year, fixed-rate, mortgage loans decreased 18 basis points to 5.82 percent in June. The average interest rate on 15-year, fixed-rate loans decreased 11 basis points to 5.44 percent in June. These rates pertain to mortgages closed during the June 24-30 period. Typically, the interest rate is determined 30 to 45 days before the loan is closed. Thus, the reported rates depict market conditions prevailing in mid to late May.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) was 5.66 in June down 13 basis points from 5.79 percent during May. The effective interest rate, which reflects the amortization of initial fees and charges, decreased 13 basis points to 5.72 percent. The average contract rate on fixed-rate mortgages decreased 16 basis points to 5.82 percent during June, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 8 basis point to 5.33 percent.

Initial fees and charges were 0.39 percent of the loan balance in June, down 1 basis point from 0.40 percent in May. Fifty percent of the purchase-money mortgage loans originated in June were "no-point" mortgages, up from 48 percent in May. The average term was 28.5 years in June, unchanged from May. The average loan-to-price ratio in June was 73.7 percent, down from 75.6 percent in May. The average loan amount increased by \$8,000 to \$215,900 in June, and the average house purchase price increased by \$18,700 to \$308,800.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.65 percent based on loans closed in June. This is a decrease of 0.15 percent from the previous month.

Recorded information on this index is available by calling (202) 408-2940. The July index value will be announced on August 30, 2005.

*Technical note: The data is based on a monthly survey of major lenders that are asked to report the terms and conditions on all conventional, single-family, fully amortized, purchase-money loans closed the last five working days of the month. The data thus excludes FHA-insured and VA-guaranteed mortgages, refinancing loans, and balloon loans. This month's data is based on 27,310 reported loans from 86 lenders, representing savings associations, mortgage companies, commercial banks, and mutual savings banks. The effective interest rate includes the amortization of initial fees and charges over a 10-year period, which is the historical assumption of the average life of a mortgage loan. The data is weighted to reflect the shares of mortgage lending by lender size and lender type as reported in the latest release of the Federal Reserve Board's Home Mortgage Disclosure Act data.*